

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-07 FRB-03 INR-07 NSAE-00 EPG-02 SP-02
STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 PA-01 PRS-01
USIA-06 AGRE-00 SS-15 L-03 NSC-05 OES-07 INT-05
FEAE-00 /113 W

-----042578 221439Z /53

P 211755Z JUN 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 0415

INFO ALL EC CAPITALS

AMEMBASSY CANBERRA

AMEMBASSY TOKYO

USMISSION GENEVA

C O N F I D E N T I A L SECTION 1 OF 2 BRUSSELS 06494

SECOND C O R R E C T E D C O P Y (FOR MRN VICE 06478 ALSO
OMISSION OF TEXT IN PARA 3 LINES 18 AND 19 AND IN
PARA 4 LINES 4 AND 6)

USEEC

GENEVA FOR USMTN

E.O. 11652: GDS

TAGS: EEC, AS

SUBJECT: AUSTRALIAN PRIME MINISTER'S VISIT TO EC

1. VISIT OF AUSTRALIAN PRIME MINISTER FRASER TO EUROPEAN
COMMUNITY JUNE 17-18, ORIGINALLY ENVISAGED AS FURTHER
STRENGTHENING RECENTLY IMPROVED COMMUNITY-AUSTRALIAN RELA-
TIONS, IN FACT PRODUCED SOME EXTREMELY BLUNT TALK FROM
FRASER, NEW RESENTMENTS ON BOTH SIDES, BUT ENDED WITH
AGREEMENT TO TALK OUT ENTIRE RANGE OF BILATERAL TRADE
PROBLEMS THIS OCTOBER/NOVEMBER AND "IF POSSIBLE," TO
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RESOLVE THEM.

2. DETERIORATION IN ATMOSPHERE SEEMS TO BE LARGELY
ATTRIBUTABLE TO COMMISSION REQUEST ON EVE OF FRASER
VISIT THAT AUSTRALIA VOLUNTARILY AGREE TO CUT BACK STEEL
EXPORTS BY 25 PERCENT AS WELL AS TO MAKE EFFORT TO
RESPECT COMMUNITY MINIMUM PRICES. ALTHOUGH AUSTRALIAN

STEEL EXPORTS REMAIN SMALL (UNDER ONE MILLION TONS), THEY HAVE INCREASED DRAMATICALLY IN LAST TWO YEARS.

3. IN PRIVATE MEETING WITH JENKINS, HAFERKAMP, AND TICKELL, AND IN SUBSEQUENT MEETINGS WITH KEY COMMISSIONERS, IN ADDITION TO ABOVE, CHEYSSON, DAVIGNON, GUNDELACH, AND TUGENDHAT, FRASER REPORTEDLY DEVELOPED TWO MAIN THEMES: FIRST, THAT BILATERAL TRADE PROBLEMS RATHER THAN IMPROVING WERE WORSENING, AND, SECOND, THAT COMMUNITY ATTITUDE TOWARD JAPAN WAS DANGEROUSLY SHORT-SIGHTED. DEVELOPING LATTER POINT AT LENGTH, HE STRESSED IMPORTANCE OF JAPAN TO AUSTRALIA AS TRADING PARTNER AND AS IMPORTANT STRATEGIC ELEMENT IN EAST ASIA. HE DEPLORED KIPLINGISH "EUROPEAN ATTITUDES" WHICH SEEMED TO POSTULATE THAT TRADING SYSTEM RULES WHICH SHOULD REWARD EFFICIENT PRODUCERS NEED NOT BE APPLIED TO ASIAN COMPETITORS. HE APPARENTLY SAID JAPANESE SHOULD NOT BE PENALIZED FOR THEIR EFFICIENCY, RATHER THAT EUROPEANS SHOULD TAKE MEASURES TO CORRECT THEIR INEFFICIENCIES. HE IS ALSO SAID TO HAVE WARNED THAT IF EUROPEANS WERE NOT SENSITIVE TO JAPANESE PROBLEMS, THEY MIGHT SOMEDAY BE IN FOR A RUDE SURPRISE AS JAPANESE, WHILE CONTINUING OSTENSIBLY TO AGREE WITH EUROPEANS, WERE CAPABLE OF OVERNIGHT ECONOMIC AND POLITICAL POLICY CHANGES WHICH COULD DAMAGE EUROPEAN AS WELL AS AUSTRALIAN ECONOMIC AND POLITICAL SECURITY.

4. ON TRADE, CHANCES FOR IMPROVEMENT ON NUMBER OF SMALL
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ITEMS REMAINED "PROSPECTIVE" (SEE PARA 7 BELOW). FRASER ASSERTED SO-CALLED END OF COMMUNITY TEMPORARY BEEF EMBARGO IN FACT MERELY REINSTITUTED EFFECTIVE EMBARGO IN MORE PERMANENT FORM. FRASER ALSO INDICATED THAT EC SUBSIDIES ON AGRICULTURAL EXPORTS TO THIRD COUNTRY MARKETS ARE BECOMING AN INCREASING PROBLEM TO AUSTRALIA. FLOUR EXPORTS TO SRI LANKA WHERE AUSTRALIAN MARKET SHARE HAS DROPPED PRECIPITOUSLY IS CASE IN POINT. MOREOVER, FRASER ARGUED COMMUNITY WAS NOW PROPOSING APPLY CAP PRINCIPLES TO AUSTRALIAN STEEL EXPORTS. MEANWHILE, AUSTRALIA HAD REDUCED MOST OF ITS INDUSTRIAL TARIFFS, COMMUNITY EXPORTS TO AUSTRALIA WERE GROWING RAPIDLY, AND OVER-ALL TRADE BALANCE WAS APPROACHING TWO TO ONE IN COMMUNITY'S FAVOR. FRASER ASSERTED THAT SITUATION COULD NOT BE ALLOWED TO CONTINUE AND FOUGHT FOR AGREEMENT THAT ALL BILATERAL PROBLEMS SHOULD BE "RESOLVED" IN DIRECT NEGOTIATIONS THIS YEAR. HE DISMISSED AS INADEQUATE COMMISSION PROPOSAL TO DEAL WITH OUTSTANDING ISSUES IN MTN. JENKINS AND OTHER COMMISSIONERS, TAKEN ABACK, EVENTUALLY AGREED TO BILATERAL TALKS AND OFFICIALS WERE PUT TO DRAWING UP AGREED MINUTE. WHEN AUSTRALIAN HEADS OF DEPARTMENT INVOLVED DELIVERED JOINT WORKING LEVEL AGREED TEXT TO FRASER HE

REJECTED IT OUT OF HAND AND NEGOTIATIONS WERE CONTINUED UNTIL 1:30 AM, SATURDAY MORNING, JUNE 18, LARGELY BECAUSE FRASER INSISTED THAT BILATERAL TALKS HAD TO "RESOLVE" OUTSTANDING ISSUES. EVENTUALLY WORDS "IF POSSIBLE" WERE ACCEPTED BY FRASER AND MINUTE WAS INITIALLED. SUGGEST WASHINGTON MAY WISH TO TRY TO OBTAIN COPY FROM AUSTRALIANS DURING FRASER VISIT TO PRESIDENT.

5. WE UNDERSTAND TEXT OF MINUTE INDICATES MULTILATERAL NEGOTIATIONS IN GATT, INCLUDING GRAINS, UNCTAD ON COMMON FUND AND SUGAR, ARE SECOND PRIORITY FOR PROPOSED OCTOBER/ NOVEMBER TALKS WHICH WILL CONCENTRATE ON AGRICULTURE, STEEL, AND URANIUM. AT LEAST UNTIL OVER-ALL PACKAGE OF PROBLEMS IS DEALT WITH, AUSTRALIA REJECTS IDEA OF VOLUNTARY STEEL EXPORT RESTRICTIONS.

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STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 PA-01 PRS-01
USIA-06 AGRE-00 SS-15 L-03 NSC-05 OES-07 FEA-01
INT-05 /114 W

-----083971 250432Z /12

P 211755Z JUN 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 0416

INFO ALL EC CAPITALS

AMEMBASSY CANBERRA

AMEMBASSY TOKYO

USMISSION GENEVA

C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 06494

C O R R E C T E D C O P Y (MRN TO READ 06494 VICE 06478, ALSO
PARA 7, LINE 5 ADDED)

6. ON URANIUM, COMMISSION TOOK LINE THAT THEY PREPARED

PROVIDE MARKET BUT DID NOT REALLY NEED AUSTRALIAN URANIUM, AT LEAST UNTIL 1980'S. FRASER, WHILE INDICATING HIS GOVERNMENT'S INTENTION TO TAKE DECISIONS ON FURTHER URANIUM MINING WITHIN THREE WEEKS, REPORTEDLY SAID EXPORT POLICY DECISION WOULD NOT BE TAKEN UNTIL AFTER (A) COMPLETION OF INTERNATIONAL FUEL CYCLE EVALUATION STUDY INCLUDING IN PARTICULAR AUSTRALIAN REPROCESSING NEEDS, (B) IN DEPTH CONSULTATION WITH WASHINGTON, AND (C) NEGOTIATION OF STRICT SAFEGUARDS ALONG CANADIAN LINES. AUSTRALIAN TECHNICAL TEAM DEALING WITH SAFEGUARD PROBLEMS HAS HELD SEPARATE DISCUSSIONS HERE (SEE SEPTEL). WHILE FRASER DENIED TO PRESS LINKING URANIUM SUPPLY POSSIBILITIES TO OTHER TRADE PROBLEMS, SUCH LINKAGE APPEARS TO BE IMPLICIT IN SITUATION, TO SAY NOTHING OF HIS EXPLICIT LINKING OF EXPORT POLICY TO OUTCOME OF INFCEP.

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7. LESSER TRADE PROBLEMS, LONG UNDER DISCUSSION, INCLUDE AUSTRALIAN REQUEST THAT SOME OF THEIR WINES BE PERMITTED TO BEAR HOCK AND CLARET LABELS UPON IMPORTATION (TRADE VALUE ABOUT \$15 THOUSAND), EXEMPTION OF BUFFALO MEAT EXPORTS FROM PROHIBITIVE BEEF CAP TREATMENT (TRADE VALUE ABOUT \$2 MILLION), RICE CLASSIFICATION PROBLEM (ABOUT \$2 MILLION), AND RENEWED RESPECT FOR GATT BINDING ON SOME PRESERVED MEAT PRODUCTS (ESTIMATED TRADE VALUE ABOUT \$2 MILLION). ONLY ON FIRST OF THESE ARE AUSTRALIANS REASONABLY CONFIDENT THAT COMMUNITY WILL MEET THEIR DESIRES AND THEY POINT OUT THAT EVEN IF THEY DID OBTAIN FULL SATISFACTION, ACCEPTANCE OF COMMUNITY'S PROPOSAL TO RESTRICT STEEL EXPORTS WOULD HAVE HAD ADVERSE TRADE IMPACT OF MORE THAN TWICE THESE PROSPECTIVE GAINS. HINTON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRUSSE06494
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770227-0675
Format: TEL
From: BRUSSELS
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770633/aaaabcwh.tel
Line Count: 206
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: db98e378-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2076640
Secure: OPEN
Status: NATIVE
Subject: AUSTRALIAN PRIME MINISTER'S VISIT TO EC
TAGS: OVIP, AS, EEC, (FRASER, MALCOLM J)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/db98e378-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009